

Q3

Interim report 2018

Summary January-September 2018

- » Rental income increased to SEK 1,935 million (1,749).
- » Profit from property management increased to SEK 1,097 million (985).
- » Changes in the fair value of properties amounted to SEK 894 million (944) and changes in the fair value of financial instruments to SEK 93 million (101).
- » Profit after tax for the period increased to SEK 1,889 million (1,705).
- » The market value of investment properties was SEK 42,573 million (36,671).
- » During the period, 17 properties (22) were acquired for SEK 1,423 million (2,022) and 10 properties (36) were divested for SEK 866 million (1,593).

Significant events during the third quarter

- » Hemsö signed a SEK 3 billion loan agreement with EIB for the construction of new energy-efficient public properties. The loan agreement supports new construction and refurbishment to Nearly Zero-Energy Building (NZEB) standards for energy-efficient public properties. The construction plans comprise health care and research buildings, nursing homes and schools.
- » Hemsö acquired a property portfolio in a new segment in Germany. The portfolio consists of four properties in the justice system segment with the State of Hesse as tenant. The investment amount is SEK 260 million.
- » In Sandbyhov in Norrköping, the zoning plan was enacted and Hemsö commenced construction of "Nodhuset." The new building will house health care premises for Region Östergötland, and 42 rental apartments that Hyresbostäder (a housing company owned by Norrköping Municipality) will acquire for SEK 108 million.
- » Hemsö strengthened its development project department by employing eight people, and recruiting a new Head of Central/Northern Region.

Hemsö in summary

	Jan-Sep 2018	Jan-Sep 2017	Oct 2017-Sep 2018	Jan-Dec 2017
Rental income, SEK million	1,935	1,749	2,549	2,363
Profit from property management, SEK million	1,097	985	1,426	1,314
Profit after tax, SEK million	1,889	1,705	2,775	2,591
Operating cash flow, SEK million	1,054	943	1,383	1,272
Loan-to-value ratio, %	64.0	64.5	64.0	62.9
Interest-coverage ratio	4.8	4.7	4.7	4.8
Market value of investment properties, SEK million	42,573	36,671	42,573	38,883
NOI margin, %	76.3	75.4	76.0	75.3
Economic occupancy rate, %	98.1	98.8	98.1	98.3
Leasable area, tsqm	1,679	1,591	1,679	1,636



CEO statement

Higher rental income and profit from property management driven by completed development projects and acquisitions.

During the period, both rental income and profit from property management rose 11 per cent, amounting to SEK 1,935 million and SEK 1,097 million, respectively. Four development projects were completed, including the Villa Idun nursing home in Enköping, which was completed in September.

New segment in Germany

Hemsö already owns properties for public use in Germany, mainly in elderly care, through a portfolio of 42 nursing homes.

In the third quarter, Hemsö broadened its German operations by completing its first property transaction in the justice system segment. The four properties are located in the State of Hesse, and accommodate police stations and government agencies. The State of Hesse has leased the property for a period of 13 years.

Alongside of investments in nursing homes, we will be increasing our focus on properties in the education and justice system segments with public-sector tenants. This will enable us to leverage the knowledge and experience we have gained from Sweden and Finland in these segments. The aim is to increase our share of public-sector tenants in the German portfolio.

Long-term financing

Hemsö has been working actively to diversify its investor base for several years. Bonds and signed credit facilities with maturities of up to 30 years have extended the average loan maturity to 6.6 years and the fixed-rate period to 5.1 years, while the average interest rate has declined to 1.3 per cent. This creates predictable net financing costs, while minimising refinancing risk.

At the beginning of the quarter, a credit facility of SEK 3.0 billion was signed with the European Investment Bank (EIB). The facility has an 18-year maturity and will enable us, over the next three years, to finance our investments in social infrastructure that will, in parallel, be classified as Nearly Zero-Energy Buildings (NZEBS). In addition, a number of bonds with 12-30 year maturities were issued, for a total amount of SEK 665 million.

It is difficult to obtain financing in the Swedish capital market with maturities of more than 5-7 years, and it is therefore gratifying that we have created a strong position in the capital market with access to financing that few other property companies can match.

Almedalen Week

At Almedalen Week, Hemsö participated in a large number of seminars and debates in order to contribute our experience and find inspiration for becoming even better at developing public properties. Two of our own seminars were particularly well-attended and focused on two key issues – school playgrounds, and private-municipal partnerships for the development of new nursing homes. Hemsö's sustainability seminar with the Skolgårdslyftet theme (conducted in partnership with Nacka Municipality, the Swedish University of Agricultural Sciences and the Swedish Board of Housing, Building and Planning) attracted a relevant audience. The first stage of our Skolgårdslyftet development project, in which 13 schools and preschools in Nacka received new educational outdoor environments, has now been completed. An inventory phase for 20 school and pre-school playgrounds is currently ongoing across the country, with the aim of continuing to develop inspiring and stimulating outdoor environments for students and teachers.

Hemsö Gift

During the summer, the Hemsö Gift was distributed to schools and students in our properties. The Gift has been distributed every year since 2011, with the aim of simplifying and enriching the lives of these students. This year, the Gift included the conversion of a music room into an inspirational learning environment at Ektorps School in Nacka, a museum visit for all of the children in after-school care at Uppåkra School in Hjärup, and a defibrillator with related training for Consensum upper secondary school in Lund.

I am satisfied with our stable development thus far this year and that Hemsö has created a solid project portfolio that will drive continued growth and increase the quality of the portfolio.

Nils Styf, CEO

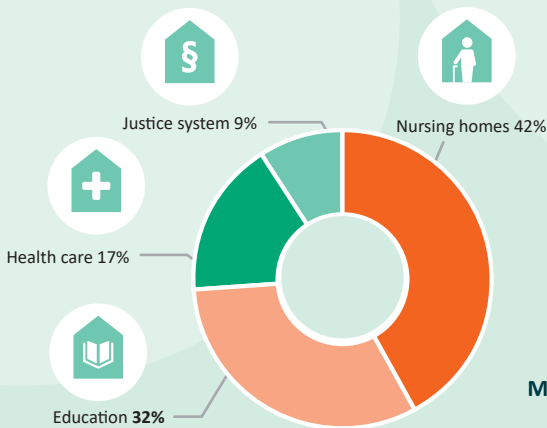
Vision
To be the best property company for public services.

Mission
To sustainably own, manage and develop properties for public use.

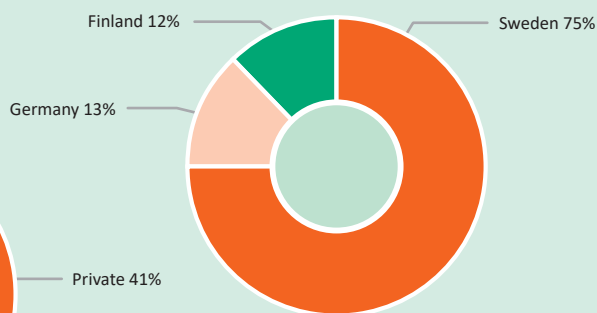
THIS IS HEMSÖ

- Hemsö is Sweden's leading private owner of public properties.
- The business is based on sustainably owning, managing and developing properties for nursing homes, education, health care and the justice system.
- Hemsö owns properties in Sweden, Germany and Finland.
- Our vision is to be the best property company for public services. This means that Hemsö will create added value for its customers and be long-term property partner for the public sector and private operators of public services.
- The operations are characterised by long-term lease agreements and stable tenants.
- The Third Swedish National Pension Fund is the majority owner.
- The total value of Hemsö's property portfolio is SEK 42.6 billion.
- Hemsö has a credit rating of A- from Standard & Poor's.

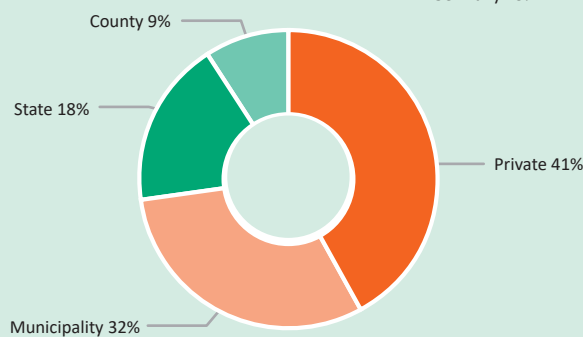
Contracted rent per property category



Market value of investment properties



Contracted rent per customer category



Income, costs and profit

Profit/loss items relate to the January-September period of 2018, and are compared with the year-earlier period. Balance-sheet items relate to the period-end position, and are compared with the corresponding period-end of the preceding year.

Rental income

During the period, rental income amounted to SEK 1,935 million (1,749). Rental income rose 18 per cent in Germany, and 51 per cent in Finland. The increase was mainly due to acquisitions. In Sweden, rental income rose 5 per cent, mainly attributable to acquisitions and completed development projects.

In the comparable portfolio, rental income rose SEK 37 million, or 2.6 per cent, with the largest increase in Germany. In Sweden, lower vacancies and indexation led to higher rental income.

At period-end, contracted annual rent amounted to SEK 2,579 million (2,375) and economic vacancies to SEK 49 million (30), up SEK 7 million since year-end.

The rental duration increased due to completed development projects and acquisitions, and was 9.0 years (8.8) at period-end. The economic occupancy rate declined to 98.1% (98.8) at period-end.

Property costs

Property costs amounted to SEK 460 million (432), an increase of SEK 28 million, corresponding to 6.5 per cent.

In the comparable portfolio, costs increased SEK 18 million, or 4.8 per cent.

Vacancy changes

SEK million	Jan-Sep 2018
Opening vacancy	42
Terminated leases	20
New leases	-13
Acquired	-
Divested	-
Closing vacancy	49

Lease maturity

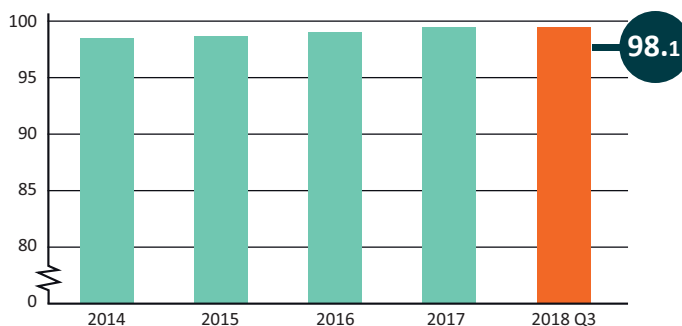
Maturity year	Annual rent, SEK million	Share of annual rent, %
2018	121	5
2019	178	7
2020	230	9
2021	230	9
2022	159	6
>2022	1,669	64
Total	2,588	100

"Annual rent" refers to contracted annual rent before the deduction of discounts.

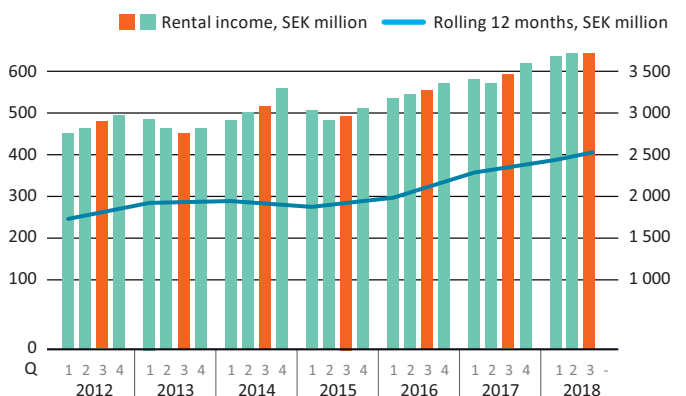
SEK 1,935 million

Rental income

Economic occupancy rate, %



Rental income



Comparable portfolio

	30 Sep 2018	30 Sep 2017	Change, %
No. of properties	275	275	-
Market value of investment properties, SEK million	30,434	28,634	6.3
Property yield, %	5.1	5.3	-4.2

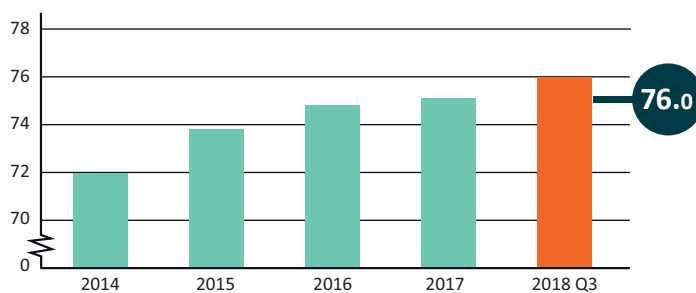
Amounts in SEK million	Jan-Sep 2018	Jan-Sep 2017	Change, %
Rental income	1,550	1,513	2.5
Other income	7	6	4.4
Operating costs	-258	-250	3.2
Maintenance costs	-99	-92	7.8
Other property costs	-30	-27	9.0

Net operating income

Net operating income increased to SEK 1,482 million (1,326). The increase was mainly attributable to acquisitions and completed development projects. Divested properties reduced net operating income by SEK 9 million. The NOI margin was 76.3 per cent (75.4), up 0.9 per cent year-on-year.

In the comparable portfolio, net operating income rose SEK 21 million, or 2 per cent.

The increase was mainly attributable to new leasings, indexation and currency effects.

NOI margin rolling 12-month period, %**Administration**

Central administrative expenses for the period amounted to SEK 99 million (87). The year-on-year increase of SEK 12 million was mainly attributable to higher personnel costs.

Financial items

Net financial items amounted to an expense of SEK -291 million (-254), of which interest expense accounted for SEK -291 million (-254). The higher interest expense was due to an increase of SEK 4,241 million in interest-bearing debt, which totalled SEK 28,738 million (24,497). The fixed-rate period decreased to 5.1 (5.3), and the average interest rate to 1.3 per cent (1.6). Remaining net financial items included other financial expenses of SEK -30 million (-34), interest income of SEK 2 million (13) and other financial income of SEK 28 million (21)

SEK 1,482 million

Net operating income

Profit from property management

Profit from property management totalled SEK 1,097 million (985), up 11 per cent. The improvement was mainly due to an increase in net operating income derived from a larger property portfolio.

Change in the fair value of investment properties

At period-end, changes in the fair value of investment properties amounted to SEK 894 million (944), of which realised value change accounted for SEK -28 million (-81) and unrealised value change for SEK 922 million (1,025).

Unrealised value changes were mainly attributable to lower yield requirements in Sweden, Germany and Finland, but also to completed development projects and new leaseings in Sweden. The yield on the entire property portfolio, excluding development properties, was 5.1 per cent (5.4).

The total return was 9.2 per cent (13.8).

SEK, million	Jan-sep 2018
New leases/Terminated leases/Renegotiations	366
General market value	272
Subtotal Sweden	638
New leases/Terminated leases/Renegotiations	-
General market value	181
Subtotal Germany	181
New leases/Terminated leases/Renegotiations	2
General market value	101
Subtotal Finland	103
Total unrealised changes in value	922

Calculation of property yield

SEK million	30 Sep 2018
Net operating income according to income statement	1,944
Adjusted for 12-month holding period	17
Adjusted for development properties	-195
Adjusted NOI, 12-month holding period excluding development properties	1,766
Market value of properties according to balance sheet	42,573
Adjusted for development properties	-8,022
Adjusted market value of properties	34,551
Property yield	5.1%

Property value

**SEK
42.6 billion**

Properties

353

Leasable area

1,679 tsqm

SEK 1,097 million

Profit from property management

Change in the fair value of the property portfolio

	SEK million	No.
Market value, opening balance	38,883	346
Acquisitions	1,423	17
Investments in new construction, extension and refurbishment	1,855	
Divestments and disposals	-910	-10
Exchange-rate fluctuations	400	
Value change, unrealised	922	
Market value at period-end	42,573	353

Change in the fair value of financial instruments

Changes in the fair value of financial instruments had a positive impact of SEK 93 million (101) on profit. Changes in the fair value of interest-rate derivatives had a positive impact of SEK 85 million (101) on profit. The value change was due to a shorter maturity in the interest-rate derivatives portfolio and that market rates have risen. During the period, a previously recognised loss of SEK -103 million was realised in connection with Hemsö's early termination of an interest-rate derivative. Foreign exchange derivatives had a positive impact of SEK 8 million (0) on profit.

Tax

Recognised tax for the period amounted to SEK -195 million (-325), of which current tax accounted for SEK -47 million (-76) and deferred tax for SEK -148 million (-249). On 13 June, the Riksdag introduced a change in tax legislation and deferred tax has been recalculated using the tax rate applicable as of 2021. The lower tax rate in Sweden, from 22 per cent to 20.6 per cent, had a positive impact of SEK 142 million on profit in relation to deferred tax. Deferred tax expense mainly consisted of changes in the temporary difference between the market and taxable value of investment properties.

At period-end, deferred tax assets amounted to SEK 87 million (138). Deferred tax liabilities amounted to SEK 2,837 million (2,493). Deferred tax assets were netted against deferred tax liabilities in the balance sheet.

Profit

Profit after tax for the period totalled SEK 1,889 million (1,705), up SEK 184 million year-on-year. The earnings improvement was mainly attributable to higher profit from property management and lower tax expense. Return on equity was 25.3 per cent (41.3).

Cash flow

Hemsö's cash flow from operating activities before changes in working capital was SEK 1,138 million (1,030). Changes in working capital had a negative impact of SEK -390 million (-402) on cash flow. Operating cash flow amounted to SEK 1,054 million (943). Investing activities had a negative impact of SEK -2,435 million (-2,292) on cash flow, while increased borrowings and dividends paid had a positive impact of SEK 2,081 million (1,581) on cash flow from financing activities. Overall, cash and cash equivalents rose SEK 394 million (-83) during the period.

Parent company

The operations of the Parent Company, Hemsö Fastighets AB, mainly consist of managing the Group's properties through ownership of shares in the property-owning subsidiaries. Parent Company sales amounted to SEK 41 million (48) and consisted of fees for services to the subsidiaries. Administrative expenses increased to SEK -107 million (-105). Financial items amounted to SEK 373 million (-127). Financial items include profit of SEK 509 million from participations in Group companies and SEK 223 million from sales of shares in subsidiaries. In preceding years, unrealised changes in the fair value of financial instruments were only recognised in the Group. Due to changes in accounting policies that became effective at the beginning of the year, unrealised changes in the fair value of financial instruments must also be recognised in the Parent Company. This change in policy had a negative impact of SEK -452 million on profit, of which SEK -544 million relates to a non-recurring item that was eliminated in the Group. Comprehensive income for the period increased to SEK -73 million (-234).

Segment information

Amounts in SEK million	Profit/loss items per segment				Asset items per segment	
	Rental income		Net operating income		Market value of investment properties	
	Jan-Sep 2018	Jan-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	30 Sep 2018	30 Sep 2017
Sweden East	578	511	436	386	14,090	12,449
Sweden West	216	214	148	129	3,738	3,432
Sweden North	441	440	321	328	9,576	8,661
Sweden South	234	231	167	165	4,598	4,364
Germany	236	201	224	190	5,388	4,413
Finland	230	152	186	126	5,183	3,352
Total	1,935	1,749	1,482	1,326	42,573	36,671

Segment identification is based on internal reporting. The Chief Executive Officer primarily uses net operating income per segment for performance analysis. Administrative expenses, financial income and expenses and income tax are managed at Group level. The Group is managed and reported in six segments: Sweden East, Sweden West, Sweden North, Sweden South, Germany and Finland.

Property portfolio

Of the total property value of SEK 42,573 million (36,671), 75 per cent (79) was attributable to Sweden, 13 per cent (12) to Germany and 12 per cent (9) to Finland.

At period-end, Hemsö owned properties in 69 municipalities in Sweden, 37 municipalities in Germany and 20 municipalities in Finland. The largest share of the market value of investment properties, 81 per cent, was attributable to properties located in major cities in Sweden, Germany and Finland.

In Sweden and Finland, Hemsö owns properties for nursing homes, education, health care and the justice system. In Germany, Hemsö owns properties for nursing homes, education and the justice system.

At 30 September 2018, Hemsö's property portfolio comprised 353 properties (342) with a total leasable area of 1,679 tsqm (1,591).

Properties acquired and divested

Quarter	No.	Property value, SEK million	Leasable area, sqm
Acquisitions			
Q1	8	913	40,537
Q2	5	214	3,329
Q3	4	255	13,024
Total	17	1,423	56,890
Divestments			
Q1	9	804	26,661
Q2	1	62	14,753
Q3	-	-	-
Total	10	866	41,414

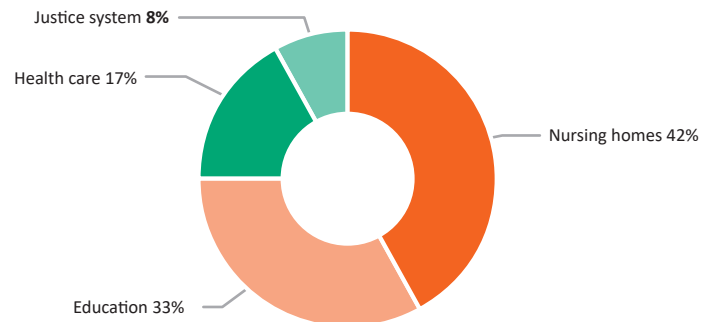
Property transactions

During the period, 17 properties (22) were acquired for SEK 1,423 million (2,022) and 10 properties (36) were divested for SEK 866 million (1,593).

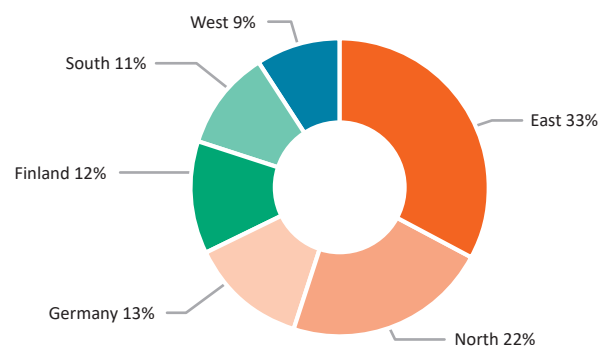
Investments

Investments pertain to investments in both existing properties and new construction. Investments in existing properties usually take place in conjunction with new leaseings, with the aim of adapting and modernising the premises and thus increasing the rental value. During the period, SEK 1,855 million (1,592) was invested. Of this amount, SEK 1,627 million (1,364) was invested in new construction and SEK 228 million (228) pertained to maintenance and new lettings.

Market value of investment properties per property category



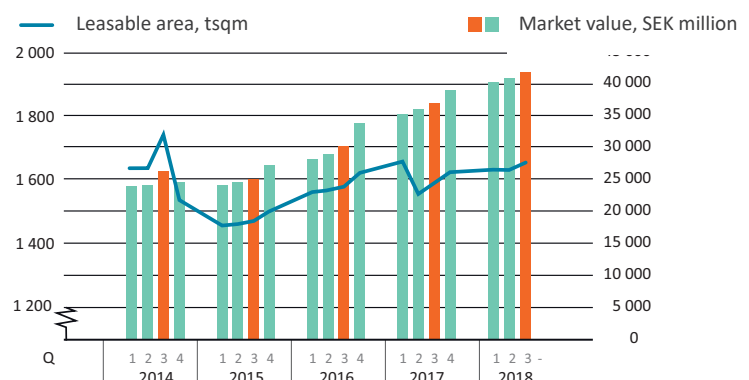
Market value of investment properties per segment



SEK 42,573 million

Market value of investment properties

Market value and area of investment properties



Hemsö's property categories

	Nursing homes	Education	Health care	Justice system	Total
No.	174	103	62	14	353
Leasable area, tsqm	750	532	269	129	1,679
Rental duration, years	9.5	10.5	6.2	6.4	9.0
Property value, SEK million	17,789	13,923	7,436	3,425	42,573
Rental income, SEK million	800	633	330	172	1,935
Net operating income, SEK million	625	482	236	139	1,482
Economic occupancy rate, %	99.1	98.3	95.2	98.9	98.1
Property yield, %	5.0	4.9	5.8	5.6	5.1

Tenants

94 per cent of Hemsö's total rental income is derived from taxpayer-funded operations. 13 of the 20 largest tenants are state, municipal or county operators. The share of contracted annual rent with public-sector tenants was 59 per cent, where lease agreements with state operators accounted for 18 per cent, municipal operators for 32 per cent and county operators for 9 per cent. In Sweden, most privately run education, health care and elderly care operations are taxpayer-funded via school, health-care and care voucher schemes. In Finland, private operators receive funding through a system similar to Swedish schemes.

98.1%

Economic occupancy rate

In Germany, privately run operations are funded through the public health insurance scheme and care-user fees. When users are unable to pay their own expenses, funding is provided through municipal contributions. Hemsö is usually able to obtain collateral for the rental income through pledges of the operators' entitlements to municipal contributions. Contracted annual rent in Germany amounted to EUR 30 million, of which 22 per cent is secured through pledges.

The largest tenants, each accounting for 4-6 per cent of the total contracted annual rent, are the Swedish Police Authority, Attendo, the Stockholm City Council and AcadeMedia.

Hemsö's 20 largest tenants

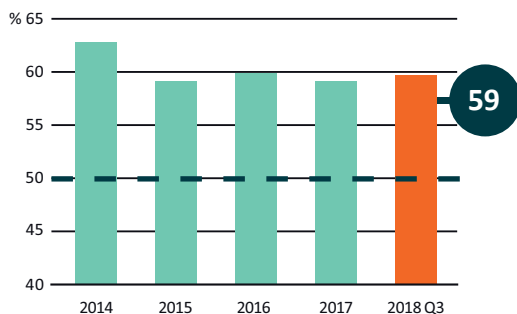
Tenant	Tenant category	Contracted annual rent, SEK million	Share of contracted annual rent, %	No. of rental agreements
Swedish Police	State	150	5.8	30
Attendo	Private	127	4.9	68
Stockholm County	County	114	4.4	76
Academedia	Private	109	4.2	24
City of Västerås	Municipality	69	2.7	16
The Karolinska Institute	State	67	2.6	11
AWO (Germany)	Private	67	2.6	8
Västra Götaland Region	County	66	2.5	69
Norrköping Municipality	Municipality	58	2.3	19
HEWAG (Germany)	Private	54	2.1	9
Mälardalen University	State	53	2.0	2
Gävle Municipality	Municipality	50	1.9	19
Ambea	Private	48	1.9	6
Region Gotland	County	43	1.7	9
Municipality of Upplands Väsby	Municipality	40	1.5	4
The International English School	Private	39	1.5	7
Pori Municipality (Finland)	Municipality	37	1.4	1
Municipality of Uppsala	Municipality	37	1.4	22
Royal Swedish Institute of Technology	State	36	1.4	1
Kunskapskolan	Private	35	1.4	8
Total		1,298	50.2	409

Property frameworks

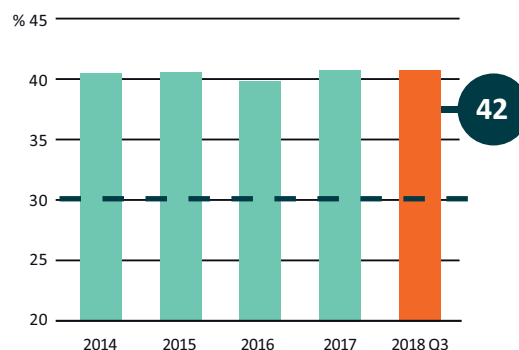
Hemsö has four property frameworks in order to clarify the company's strategy.

These frameworks aim to ensure a low level of portfolio risk, and that Hemsö's cash flow remains stable over time.

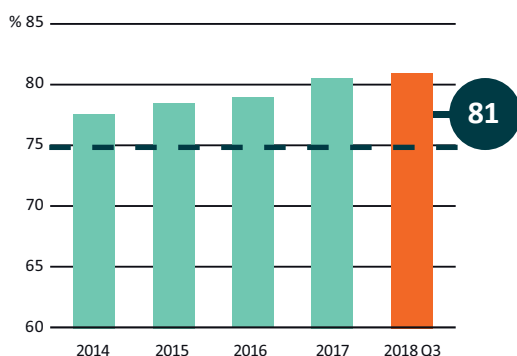
Public-sector tenants are to account for at least 50 per cent of rental income



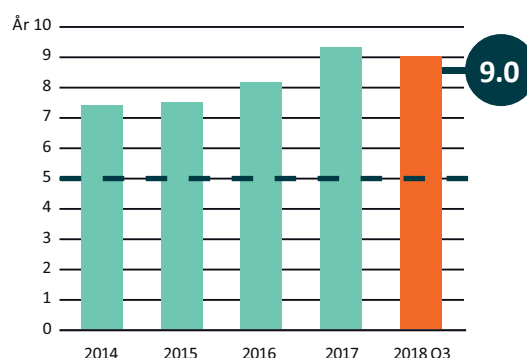
Nursing homes are to account for at least 30 per cent of rental income



At least 75 per cent of the properties' value is to be concentrated in major cities



The rental duration is to exceed 5 years



Earning capacity

The table reflects Hemsö's earning capacity on a 12-month basis at 30 September 2018. It is important to note that this should not be compared with a forecast for the next 12 months, for example, as it does not include any assessments regarding future vacancies, rental trends, changes in operating costs or future property transfers. Rental income is based on annual rental value less vacant premises and discounts. Property costs are based on actual results over the past 12 months adjusted for the holding period. Central administrative expenses are based on the actual outcome over the past 12 months. Net financial items are calculated on the basis of interest-bearing assets and liabilities at the closing date. Interest expenses are based on the Group's average interest rate plus amortised origination fees and other estimated financial expenses. Profit from participations in associated companies is calculated using the same assumptions as for Hemsö, with consideration for the size of the participation.

Property valuation

Hemsö recognises its investment properties at an estimate of fair value, in accordance with IAS 40. At 30 September, the fair

Earning capacity

SEK million	30 Sep 2018	30 Sep 2017	Change, %
Rental income	2,579	2,375	
Property costs	-615	-563	
Net operating income	1,964	1,812	8.4
Central administrative expenses	-144	-140	
Profit from participations in associated companies	6	0	
Financial items	-335	-390	
Profit from property management	1,491	1,282	16.3

value of all properties had been determined internally. The fair value of properties is determined quarterly. To verify the internal measurement, the fair value of most properties in the portfolio is determined externally every year.

The measurements are categorised within Level 3 of the fair value hierarchy in IFRS 13. At period-end, the fair value of properties was SEK 42,573 million (36,671).

Development projects

Hemsö's five largest ongoing development projects

Municipality	Property	Property category	Project area, sqm	Investment, SEK million	Remaining investment, SEK million	Increase in rental value after project, SEK million	Occupancy rate, %	Estimated year of completion
Solna	Patienten 1 ¹	Health care	21,000	1,803	814	85	78	2020
Stockholm	Princeton 1 ¹	Health care	20,000	1,397	807	77	1	2021
Västerås	Södra Källtorp	Nursing home	19,500	472	458	28	100	2020
Luleå	Anoraken 1	Nursing home	12,000	267	236	21	100	2020
Norrköping	Sandbyhov	Education	10,300	248	210	19	100	2019
Boden	Björknäs	Nursing home	10,700	242	118	20	100	2020
Norrköping	Nod-Huset	Health care	6,800	224	215	13	89	2020
Helsinki	Univ. of the Arts	Education	5,900	152	127	8	100	2019
Västerås	Widénska	Education	5,200	141	37	11	100	2019
Staffanstorps	Stanstorps 5:368	Nursing home	4,100	135	77	9	100	2019
Kristianstad	Stafvre 11	Nursing home	4,400	135	135	9	89	2020
Total			119,900	5,216	3,234	300		

¹ Development projects are conducted in companies owned jointly with SveaNor.

Development projects

Hemsö has many ongoing development projects, mainly related to the construction of new schools and nursing homes. The largest projects comprise a total investment of SEK 5,216 million, of which the remaining investment amount is SEK 3,234 million. For all ongoing development projects with project volumes of

more than SEK 20 million, the remaining investment volume is SEK 3,426 million. During the quarter, one development project was completed for SEK 110 million and the property was transferred to property management.

Development projects completed, 2018

Municipality	Property	Completed	Property category	Project area, sqm	Investment, SEK million	Rental term, years	Increase in rental value, SEK million	Occupancy rate, %
Tyresö	Krusmyntan 1	Q1	Nursing home	4,300	165	15	10	100
Sotenäs	Gravarne 1:139	Q1	Health care	2,567	48	16	3	100
Solna	Älgörten 1	Q2	Education	2,000	77	30	4	100
Enköping	Romberga 23:54	Q3	Nursing home	4,200	110	16	9	100
Total				13,100	400	18	26	



Romberga 23:54, Enköping

During the third quarter, Hemsö also completed a nursing home in Enköping.

The Villa Idun nursing home comprises 54 apartments on three floors, and a total area of 4,300 sqm. Ambea operates the nursing home and has signed a 16-year lease agreement.

The building has a SILVER rating under the Sweden Green Building Council's certification system.

Financing

The overall objective of Hemsö's financing activities is to secure a long-term stable capital structure, and an optimal net financial position, within the given risk limits. Hemsö's loan-to-value ratio should not exceed 70 per cent, and the interest-coverage ratio should be at least 2.0. At period-end, the loan-to-value ratio was 64.0 per cent (64.5) and the interest-coverage ratio was 4.7 (4.7).

Hemsö issues bonds in Swedish and European capital markets and certificates in the Swedish market. In addition, Hemsö has committed credit facilities from Nordic banks, the European Investment Bank (EIB) and the Third Swedish National Pension Fund, which diversifies the company's funding sources. Hemsö has a credit rating of A- from Standard & Poor's.

Interest-bearing liabilities

At period-end, Hemsö's interest-bearing liabilities amounted to SEK 28,738 million (24,497).

During the period, Hemsö issued bonds totalling SEK 3,590 million with maturities of 2-30 years on the Swedish capital market. In the third quarter, Hemsö signed a credit facility of SEK 3,000 million with EIB. The credit facility is part of Hemsö's strategy to diversify the company's financing by focusing on longer-maturity loans. Over the next three years, Hemsö will be able to raise loans with maturities of up to 25 years (15 year interest-only). The facility will be used to finance investments in social infrastructure that, in parallel, will be classified as Nearly Zero-Energy Buildings (NZEBS) and is part of Hemsö's sustainable borrowing. During the period, Hemsö used SEK 800 million of the available credit.

In addition, Hemsö issued a bond of EUR 56 million with a 15-year maturity on the EUR market. Outstanding commercial papers decreased and amounted to SEK 4,599 million (4,688).

Hemsö works actively to buy back bonds as they approach maturity to minimise the company's refinancing risk. During the period, Hemsö repurchased bonds totalling SEK 1,193 million (0). During the period, Hemsö repaid a secured bank loans of SEK 1,220 million, bringing secured debt to 0 per cent (3) at 30 September.

Hemsö has committed credit facilities totalling SEK 12,700 million (10,950) to reduce the company's refinancing risk, and to secure access to capital. At 30 September 2018, Hemsö's committed credit facilities were undrawn, including SEK 2,200 million of the EIB facility. Cash and cash equivalents amounted to SEK 1,500 million (849) and available liquidity totalled SEK 14,200 million (11,799), bringing the debt-coverage ratio to 201 per cent (171).

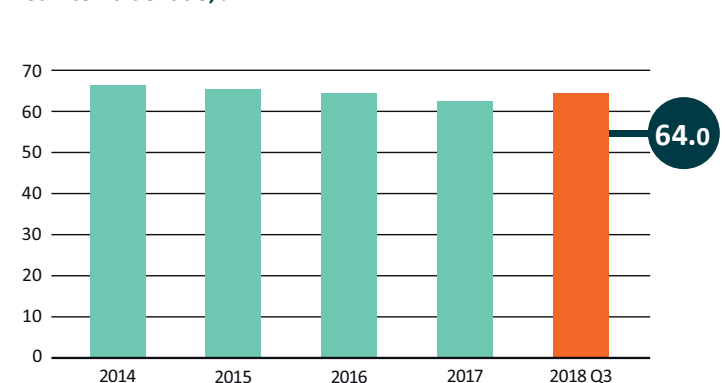
Sources of funding, SEK million

	Q3 2018	Q3 2017
Bonds, SEK	12,910	10,409
Bonds, EUR	9,629	8,409
Total bonds	22,539	18,818
<i>Of which sustainability bonds</i>	<i>1,000</i>	<i>1,000</i>
Commercial papers	4,559	4,688
European Investment Bank	800	0
Nordic Investment Bank	800	0
Secured loans	0	990
Interest-bearing liabilities	28,738	24,496
<i>Of which sustainable financing</i>	<i>2,600</i>	<i>1,000</i>

Capital structure, SEK million

	Q3 2018	Q3 2017
Interest-bearing liabilities	28,738	24,496
Cash	1,500	849
Net debt	27,238	23,647
Market value of investment properties	42,573	36,671
Loan-to-value ratio	64.0%	64.5%
Share of secured debt	0%	3%

Loan-to-value ratio, %



Hemsö uses interest-rate derivatives to manage its interest-rate risk and foreign exchange derivatives to manage its currency risk. At period-end, the nominal value of the interest-rate derivatives portfolio was SEK 7,450 million (7,500). At 30 September 2018, the nominal value of Hemsö's outstanding foreign exchange derivatives was SEK 186 million. At period-end, currency exposure corresponded to 6 per cent (6) of the Group's equity.

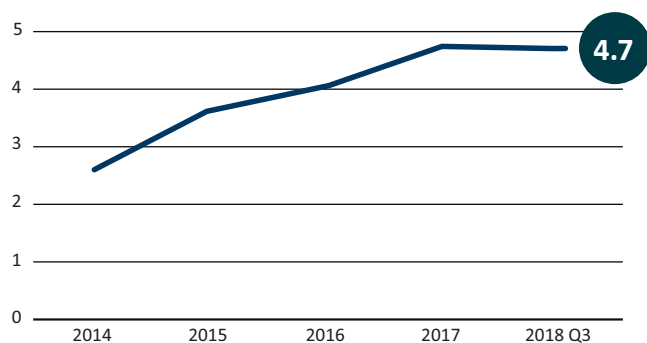
The average loan maturity was 6.6 years (5.0), and the average fixed-rate period 5.1 years (5.3). The loan maturity was extended during the year due to Hemsö's focus on longer-maturity loans. The average loan maturity includes the undrawn portion of the EIB facility, which had an average loan maturity of 15 years on the closing date. At period-end, Hemsö's average interest rate was 1.3 per cent (1.6). The change in the average interest rate was due to Hemsö's early termination of derivatives during the period and the raising of new loans with more favourable terms than previously.

In early July, Hemsö completed its update of the company's Sustainability Bond Framework, entailing that Hemsö may now expand its sustainable financing on Swedish and European capital markets.

After period-end, Hemsö issued bonds totalling SEK 565 million with 12-20 year maturities. With these issues, Hemsö further diversified its borrowings from non-European investors.

SEK 2,600 million Sustainable financing

Interest-coverage ratio, times (rolling 12-month period)



Currency exposure, SEK million

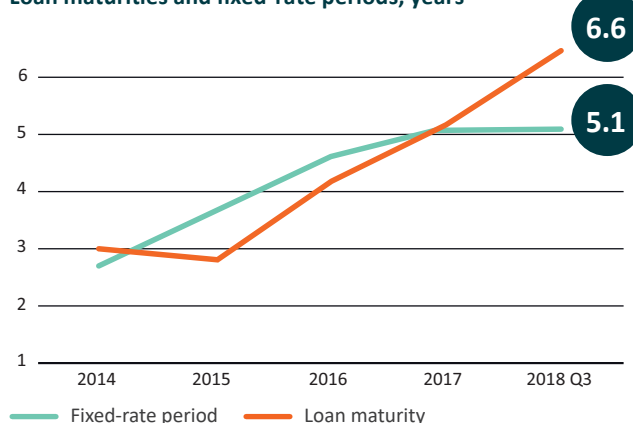
	Q3 2018	Q3 2017
Properties EUR	10,570	7,765
Cash EUR	12	673
Assets EUR	10,582	8,438
Debt EUR	9,629	8,409
Exposure EUR	953	29
Currency hedging	-186	569
Currency exposure	767	598
Equity	12,053	9,885
Currency exposure	6.4%	6.1%

Comitted credit facilities, SEK million

	Q3 2018	Q3 2017
Banks	6,500	6,000
Third Swedish National Pension Fund	4,000	4,000
EIB	2,200	0
Construction credit	0	1,940
Total comitted credit facilities	12,700	11,940
<i>Of which undrawn</i>	<i>12,700</i>	<i>10,950</i>
Cash	1,500	849
Available liquidity	14,200	11,799
Short-term loans	7,058	6,341
Debt-coverage ratio	201%	171%*

*Excluding undrawn building loans of SEK 950 million

Loan maturities and fixed-rate periods, years



Summary of financial policy

Financing risk	Policy	Outcome
Loan-to-value ratio	Maximum 70%	64.0%
Loan maturity	Min. 2 years	6.6 years
Debt-coverage ratio	Min. 110%	201%
Share of secured debt	Max. 20%	0.0%
Interest-rate risk		
Interest-coverage ratio	At least 2.0 (rolling 12-month period)	4.7
Fixed-rate period	Hemsö's average fixed-rate period should range from 3-8 years	5.1 years
Fixed-rate maturity	Max. 40% of fixed-rate periods should mature within 12 months	33%
Counterparty risk		
Financial instruments	Bank with a minimum credit rating of A- (S&P)	Fulfilled
Currency risk		
Currency exposure	Max. 20% (in SEK) of the Group's equity without currency hedging.	6%



Loan maturities and fixed-rate periods

Maturity year	Credit agree- ments, SEK million	Loan maturity			Fixed-rate period	
		Drawn, SEK million	Share, %		SEK million	Share, %
2018	865	865	4	6,505	23	
2019	6,046	3,546	14	3,156	11	
2020	10,300	3,300	14	1,349	5	
2021	4,804	2,604	10	2,250	7	
2022	946	946	4	1,300	5	
2023	1,800	800	3	1,500	5	
2024	500	500	2	2,000	7	
2025	-	-	-	-	-	
2026	5,923	5,923	25	5,123	18	
>2026	5,656	5,656	23	5,556	19	
Total	36,839	24,139	100	28,738	100	
Commercial papers		4,599				
Total		28,738				

Quarterly overview

Amounts in SEK million	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Income statement									
Property income	653	650	640	617	594	577	587	571	558
Property costs	-145	-148	-168	-154	-118	-147	-167	-151	-111
Net operating income	508	502	472	463	476	430	420	420	447
Central administrative expenses	-33	-36	-30	-43	-27	-28	-33	-46	-42
Profit from participations in associated companies	2	2	1	1	-	-	-	-	-
Financial items	-96	-102	-93	-91	-93	-77	-84	-90	-90
Profit from property management	381	366	350	330	356	325	303	284	315
Value change, properties	94	622	178	739	141	415	388	1,735	91
Value change, financial instruments	63	2	28	33	1	54	47	207	-5
Current tax	-4	-39	-4	-13	-28	-23	-25	2	-16
Deferred tax	-100	-14	-34	-229	-85	-51	-113	-482	-69
Profit for the period	434	937	518	886	385	720	600	1,746	316
Other comprehensive income	-5	5	26	24	-3	10	1	15	28
Comprehensive income for the period	429	942	544	910	382	730	601	1,761	344
Balance sheet									
Investment properties	42,573	41,597	40,152	38,883	36,671	35,969	35,003	33,629	30,186
Other assets	929	770	715	660	560	901	561	392	296
Cash and bank balances	1,500	1,223	1,132	1,134	849	2,467	1,170	932	2,957
Total assets	45,002	43,590	41,999	40,677	38,080	39,337	36,734	34,953	33,439
Equity	12,053	11,624	11,340	10,795	9,885	9,503	9,329	8,672	6,831
Deferred tax liabilities	2,750	2,651	2,638	2,591	2,355	2,274	2,216	2,103	1,619
Derivatives	350	512	515	544	560	615	676	723	1,055
Interest-bearing liabilities	28,738	27,786	26,380	25,575	24,497	25,863	23,436	22,483	23,074
Non-interest-bearing liabilities	1,111	1,017	1,126	1,172	783	1,082	1,077	972	860
Total equity and liabilities	45,002	43,590	41,999	40,677	38,080	39,337	36,734	34,953	33,439
Key ratios									
Financial key ratios									
Loan-to-value ratio, %	64.0	63.9	62.9	62.9	64.5	64.3	63.6	64.0	66.5
Interest-coverage ratio ¹	4.7	4.7	4.8	4.8	4.7	4.6	4.3	4.1	3.9
Operating cash flow, SEK million	366	350	338	330	350	311	281	271	305
Return on equity, % ¹	25.3	25.8	24.3	26.6	41.3	42.3	36.2	30.4	17.5
Property-related key ratios									
Property yield, %	5.1	5.1	5.2	5.2	5.4	5.4	5.6	5.7	6.0
Total return, % ¹	9.2	9.5	9.0	9.8	13.8	14.0	13.6	12.8	8.5
Economic occupancy rate, %	98.1	98.3	98.1	98.3	98.8	98.7	97.9	97.5	97.5
No. of properties	353	349	345	346	342	339	362	356	333
Leasable area, tsqm	1,679	1,651	1,658	1,636	1,591	1,560	1,663	1,638	1,587

1) Calculated on a 12-month rolling outcome

Group – Condensed statement of comprehensive income

Amounts in SEK million	Jan-Sep 2018	Jan-Sep 2017	Jul-Sep 2018	Jul-Sep 2017	Oct 2017-Sep 2018	Jan-Dec 2017
Rental income	1,935	1,749	654	593	2,549	2,363
Other income	8	9	-1	1	11	12
Operating costs	-304	-298	-79	-74	-389	-383
Maintenance costs	-112	-104	-49	-36	-169	-161
Other property costs	-44	-30	-17	-8	-57	-43
Net operating income	1,482	1,326	508	476	1,944	1,788
Central administrative expenses	-99	-87	-33	-27	-142	-130
Profit from participations in associated companies	5	0	2	0	6	1
Operating profit	1,388	1,239	477	449	1,808	1,659
Financial items	-291	-254	-96	-93	-382	-345
Profit from property management	1,097	985	381	356	1,426	1,314
Value changes						
Investment properties	894	944	94	141	1,632	1,682
Financial instruments	93	101	62	1	127	135
Profit before tax	2,084	2,030	537	498	3,185	3,131
Current tax	-47	-76	-4	-28	-34	-63
Deferred tax	-148	-249	-100	-85	-376	-477
Profit for the period	1,889	1,705	433	385	2,775	2,591
Profit for the period attributable to						
Parent company shareholders	1,800	1,648	389	382	2,729	2,577
Non-controlling interests	89	57	45	3	46	14
Other comprehensive income						
Profit for the period	1,889	1,705	434	385	2,775	2,591
Translation difference	26	7	-5	-3	50	31
Comprehensive income for the period	1,915	1,712	429	382	2,825	2,622
Comprehensive income for the period attributable to						
Parent Company shareholders	1,826	1,655	384	379	2,779	2,608
Non-controlling interests	89	57	45	3	46	14

Group – Condensed statement of financial position

Amounts in SEK million	30 Sep 2018	30 Sep 2017	31 Dec 2017
ASSETS			
Investment properties	42,573	36,671	38,883
Participations in associated companies	106	99	101
Receivables from associated companies	71	47	47
Other non-current assets	36	71	32
Current receivables	717	343	480
Cash and cash equivalents	1,500	849	1,134
TOTAL ASSETS	45,002	38,080	40,677
EQUITY AND LIABILITIES			
Equity	12,053	9,885	10,795
Deferred tax liabilities	2,750	2,355	2,591
Interest-bearing liabilities	21,680	18,156	18,884
Non-interest-bearing liabilities	350	560	544
Total non-current liabilities	24,780	21,071	22,019
Interest-bearing liabilities	7,058	6,341	6,691
Non-interest-bearing liabilities	1,111	783	1,172
Total current liabilities	8,169	7,124	7,863
TOTAL EQUITY AND LIABILITIES	45,002	38,080	40,677

Group – Condensed statement of changes in equity

Amounts in SEK million	Share capital	Other capital contributions	Translation reserve	Retained earnings	Share of equity from non-controlling interests	Total equity
Opening equity, 1 Jan 2017	1	6,856	73	1,525	217	8,672
Dividends	-	-	-	-556	-	-556
Contribution from minority interests	-	-	-	-	57	57
Comprehensive income 1 Jan 2017-30 Sep 2017	-	-	7	1,648	57	1,712
Closing equity, 30 Sep 2017	1	6,856	80	2,617	331	9,885
Dividends	-	-	-	-	-	-
Comprehensive income 1 Oct 2017-31 Dec 2017	-	-	24	929	-43	910
Closing equity, 31 Dec 2017	1	6,856	104	3,546	288	10,795
Opening equity, 1 Jan 2018	1	6,856	104	3,546	288	10,795
Dividends	-	-657	-	-	-	-657
Comprehensive income	-	-	25	1,800	90	1,915
Closing equity, 30 Sep 2018	1	6,199	129	5,346	378	12,053

Group – Condensed statement of cash flows

Amounts in SEK million	Jan-Sep 2018	Jan-Sep 2017	Jul-Sep 2018	Jul-Sep 2017	Oct 2017-Sep 2018	Jan-Dec 2017
Operating activities						
Profit from property management	1,097	985	381	356	1,426	1,314
<i>Adjusted for items not included in profit from property management</i>						
Profit/loss from participations in associated companies	-5	-	-2	-	-7	-2
Depreciation and amortisation	2	1	1	1	3	2
<i>Adjusted for other non-cash items</i>						
Exchange differences, unrealised	57	-49	3	111	93	-13
Capital gain/loss	27	82	44	2	27	82
Income tax paid	-40	-43	-14	-7	-39	-42
Cash flow before changes in working capital	1,138	976	413	463	1,503	1,341
Increase (+)/decrease (-) in working capital	-390	-348	-192	-332	-80	-38
Cash flow from operating activities	748	628	221	131	1,423	1,303
Investing activities						
Acquisition of properties	-1,423	-2,022	-256	-175	-2,069	-2,668
Investments in new construction, extension and refurbishment	-1,855	-1,592	-650	-543	-2,453	-2,190
Property divestments	870	1,469	-	-	870	1,469
Investment in financial non-current assets	-23	-145	-	-144	20	-102
Other non-current assets	-4	-2	-1	-2	-4	-2
Cash flow from investing activities	-2,435	-2,292	-907	-864	-3,636	-3,493
Financing activities						
Interest-bearing liabilities	6,434	6,990	1,446	1,509	7,914	8,470
Repayment of interest-bearing liabilities	-3,696	-4,910	-484	-2,660	-4,351	-5,565
Contributions from non-controlling interests	-	57	-	-	-	57
Dividends paid	-657	-556	-	-	-657	-556
Cash flow from financing activities	2,081	1,581	962	-1,151	2,906	2,406
Cash flow for the period	394	-83	276	-1,884	693	216
Opening balance, cash and cash equivalents	1,134	932	1,223	2,717	849	932
Exchange-rate differences in cash and cash equivalents	-28	-	1	16	-42	-14
Closing cash and cash equivalents	1,500	849	1,500	849	1,500	1,134
Operating cash flow	1,054	943	366	350	1,383	1,272

Parent Company – Condensed income statement

Amounts in SEK million	Jan-Sep 2018	Jan-Sep 2017	Oct 2017-Sep 2018	Jan-Dec 2017
Operating income	41	48	49	56
Central administrative expenses	-107	-105	-147	-145
Operating profit	-66	-57	-98	-89
Financial items	373	-127	272	-228
Value change, financial instruments	-452	-62	-435	-45
Appropriations	-	12	486	498
Profit before tax	-145	-234	225	136
Recognised tax	72	-	44	-28
Profit for the period	-73	-234	269	108
Other comprehensive income				
Other comprehensive income	-	-	-	-
Comprehensive income for the period	-73	-234	269	108

Parent Company – Condensed balance sheet

Amounts in SEK million	30 Sep 2018	30 Sep 2017	31 Dec 2017
ASSETS			
Non-current assets			
Intangible assets	7	3	4
Equipment	1	1	1
Shares and participations in Group companies	6,209	5,976	6,324
Deferred tax assets	72	-	-
Non-current receivables	3,392	3,332	3,355
Total non-current assets	9,681	9,312	9,684
Current assets			
Current receivables	22,152	16,534	17,273
Cash and cash equivalents	0	707	906
Total current assets	22,152	17,241	18,179
TOTAL ASSETS	31,833	26,553	27,863
EQUITY AND LIABILITIES			
Equity	2,515	2,904	3,245
Untaxed reserves			
Tax allocation reserve	48	-	48
Liabilities			
Deferred tax liabilities	25	29	25
Interest-bearing liabilities	28,738	23,506	24,354
Non-interest-bearing liabilities	507	114	191
Total liabilities	29,270	23,649	24,570
TOTAL EQUITY AND LIABILITIES	31,833	26,553	27,863

Other information

Events after period-end

After period-end, Hemsö issued bonds totalling SEK 565 million with 12-20 year maturities. With these issues, Hemsö further diversified its borrowings from non-European investors.

Employees

At period-end, Hemsö had 108 employees, of whom 52 were women. Of these employees, 37 worked with asset and property management and 12 with development projects. Other employees worked with administration, accounting, financing, IT, legal affairs, communication, management, HR and transactions. Of all employees, 99 were employed in Sweden, five in Germany and four in Finland.

Risks and uncertainties

There were no material changes to Hemsö's risks and uncertainties, which are described on pages 74-79 of the 2017 Annual Report.

Related-party transactions

Hemsö's related-party transactions are set out in Note 27 of Hemsö's 2017 Annual Report. No significant related-party transactions took place during the period.

Jointly owned companies

In addition to the Group's wholly owned property portfolio, Hemsö owns shares in a number of companies held jointly with SveaNor and the Third Swedish National Pension Fund. These jointly owned companies are included in the company's consolidated accounts.

Hemsö holds half of the shares and votes in the jointly owned company Vitartes AB, and its subsidiary. The remaining shares are owned by SveaNor Holding AB. Vitartes is also a development company, focused on life sciences properties.

Hemsö also co-owns a joint venture, Hemsö Norden KB, with the Third Swedish National Pension Fund. Hemsö Norden KB currently owns 24 investment properties through limited partnerships.

In addition, Hemsö and Lantmännen each own a 50 per cent stake in Lanthem Samhällsfastigheter AB. This company is not included in the consolidated accounts. Lanthem Samhällsfastigheter currently owns four investment properties through subsidiaries.

Accounting policies applied

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The consolidated accounts have also been prepared in accor-

dance with Swedish law, with application of the Swedish Financial Reporting Board's recommendation RFR, 1 Supplementary Accounting Rules for Groups.

The Parent Company applies the Swedish Annual Accounts Act and recommendation RFR 2, Accounting for Legal Entities.

IFRS 9 Financial Instruments

This standard applies for reporting periods beginning on or after 2018 and supersedes IAS 39 Financial instruments. The recommendation requires Hemsö to make an assessment of expected credit loss. Since Hemsö's customers are predominantly public-sector operators, solvent and pose a low credit risk, the standard is not expected to have any material effect on Hemsö's financial statements.

Under IFRS 9, unrealised changes in the fair value of financial instruments that were previously recognised in the Group only, must also be recognised in the Parent Company. During the period, this change in policy had a negative impact of SEK -452 million on Parent Company profit, of which SEK -544 million relates to a non-recurring item that was eliminated in the Group.

IFRS 15 Revenue from Contracts with Customers

This standard applies for periods beginning on or after 2018 and specifies how to recognise revenue from contracts with customers as well as non-monetary exchanges between entities in the same line of business. Since Hemsö's revenue essentially consists of rental and leasing income not covered by IFRS 15 but by IFRS 16, the recommendation has no material effect on the financial statements.

No other new or amended standards or interpretations issued by the IASB have had any effect on this interim report, and the accounting policies otherwise applied are consistent with those described in Note 1 of Hemsö's 2017 Annual Report.

Impact of new or revised IFRS on or after 1 January 2019

IFRS 16 Leases

This standard supersedes IAS 17 and will apply for annual reporting periods beginning on or after 1 January 2019. The recognition for lessors will essentially remain unchanged. For lessees (tenants), the standard will mean that most contracts (lease agreements) will be recognised in the balance sheet. For Hemsö, this will primarily affect the recognition of site leasehold agreements, which are to be recognised in the balance sheet and therefore increase total assets. In addition, leasehold fees will be recognised as interest expense and, therefore, no longer included in net operating income. The impact on Hemsö as a lessee is currently being assessed. Preliminary estimates suggest that right-of-use assets and similar lease liabilities will initially amount to approximately SEK 200 million and are expected to impact some financial key ratios, including a -0.1 per cent change in the equity/assets ratio.

Signing of the report

The Board of Directors and Chief Executive Officer hereby certify that this half-year report provides a true and fair overview of the development of the Parent Company and Group's opera-

tions, position and earnings and describes significant risks and uncertainties faced by the company and Group companies.

Stockholm, 24th October 2018

Pär Nuder
Chairman of the Board

Åsa Bergström
Board member

Bengt Hellström
Board member

Kersin Hessius
Board member

David Mindus
Board member

Johan Thorell
Board member

Nils Styf
CEO

This report has not been reviewed by the company's auditors.

Auditor's review

Hemsö Fastighets AB (Corp. Reg. No. 556779-8169)

Introduction

We have reviewed the condensed interim financial information (interim report) for Hemsö Fastighets AB at 30 September 2018 and the nine-month period that ended on this date.

The Board and the Chief Executive Officer are responsible for preparing and presenting this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express an opinion on this interim report, based on our review.

Focus and scope of the review

We performed our review in accordance with International Standard on Review Engagements (ISRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" A review is made by making enquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope compared with the focus and scope of an audit conducted in accordance with International Standards on Auditing and the auditing standards generally accepted in Sweden.

These review procedures do not allow us to obtain such an assurance that we become aware of all of the important circumstances that could have been identified if an audit had been carried out. The conclusion expressed on the basis of a review does not therefore have the same assurance as a conclusion based on an audit.

Conclusion

Based on our review, no circumstances have arisen that give us reason to believe that this interim report has not, in all material respects, been prepared in accordance with IAS 34 and the Swedish Annual Accounts Act for the Group, and in accordance with the Swedish Annual Accounts Act for the Parent Company.

Stockholm, 24th October 2018

Ernst & Young AB

Mikael Ikonen

Authorised Public Accountant

Definitions

Financial definitions

Share of secured debt

Interest-bearing secured debt in relation to the market value of investment properties.

Return on equity

Profit after tax for the period as a percentage of average equity (rolling 12 months). Average equity is calculated as the total of the opening and closing balance, divided by two.

Loan-to-value ratio

Interest-bearing net debt as a percentage of the market value of the properties.

Property yield

Net operating income over the past 12 months, adjusted for the holding period and currency of the properties during the period, in relation to the market values of the properties at period-end, excluding development properties.

Available liquidity

Cash and cash equivalents and short-term investments, plus undrawn committed credit facilities.

Profit from property management

Profit before value changes and tax.

Average interest rate

The weighted interest rate on interest-bearing liabilities with consideration for interest-rate derivatives and loan commitments on the closing date.

Loan maturity

The average of the remaining term of interest-bearing liabilities, taking loan commitments into account.

Short-term borrowings

Loan maturities within 12 months.

MTN programme and EMTN programme

Swedish and European bond programmes, respectively.

Operating cash flow

Profit from property management after reversal of depreciation and the proportion of associated companies' profit less tax paid.

Interest-coverage ratio

Net operating income less administrative expenses in relation to net financial items.

Operating profit

Net operating income plus profit from participations in associated companies less central administrative expenses.

Debt-coverage ratio

Available liquidity in relation to short-term borrowings.

Total return

The sum of net operating income and value changes in relation to average property value, adjusted for value changes over a rolling 12-month period.

Property-related definitions

Net operating income

Rental income less operating and maintenance costs, property tax and leasehold fees.

Economic occupancy rate

Contracted annual rental income as a percentage of rental value.

Rental income

Rental income for the period less vacancies, discounts and rental losses.

Rental duration

The weighted average remaining lease term excluding garage/parking, storage/warehouse and housing rented to private individuals.

Rental value

Contracted annual rental income plus vacancy rent.

Comparable portfolio

The properties owned throughout the entire period and entire comparative period and not classified as development properties during these periods.

Contracted annual rent

Contracted annual rental income less discounts and rental losses.

Net investments

Total of purchasing, including stamp duty and other direct transaction costs and investments in projects, less the selling price of properties sold and the selling price of properties sold via companies and direct transaction costs.

Development properties

A property or well-defined part of a property that has been vacated in order to convert and develop the property. A development property also refers to a building under construction, or a property with an investment amounting to at least 20 per cent of its market value. A development property is reclassified to completed property on 1 January of the year after completion.

Properties for public use

A property that is predominantly used for taxpayer-funded operations and is dedicated to public services. Secure housing facilities are also included in the public properties concept.

Major cities

The definition of major cities in Sweden, Finland and Germany according to Statistics Sweden and the OECD: In Sweden and Finland, municipalities with a population of 100,000 or more, and in Germany, with a population of 200,000 or more.

Leasable area

The areas of the properties for which tenants can be debited rent at period-end.

Rent based on vacancy rate

Rental value of vacancy rent as a percentage of total rental value.

Vacancy rent

Estimated market rent for vacant premises in "as-is" condition.

NOI Margin

Net operating income in relation to the sum of property income and other income.

Key ratio calculations

Hemsö presents some financial measures in interim and annual reports that are not defined under IFRS. The company believes that these measures provide useful supplemental information for investors and company management since they enable

evaluation of the company's earnings and financial position. Since financial measures are calculated differently by different companies, they are not always comparable with the measures used by other companies.

	Oct 2017- Sep 2018	Oct 2016- Sep 2017	Jan-Dec 2017
Return on equity, %			
Profit for the period	2,775	3,452	2,591
Average equity	10,969	8,358	9,734
Return on equity	25.3%	41.3%	26.6%

	30 Sep 2018	30 Sep 2017
Property yield, %		
Net operating income according to income statement	1,944	1,746
Adjusted for 12-month holding period	17	24
Adjusted for development properties	-195	-138
Adjusted net operating income	1,766	1,632
Market value of properties	42,573	36,671
Adjusted for development properties	-8,022	-6,542
Adjusted market value	34,551	30,129
Property yield	5.1%	5.4%

	Oct 2017- Sep 2018	Oct 2016- Sep 2017	Jan-Dec 2017
Total return, %			
Net operating income	1,944	1,746	1,788
Value change, properties	1,632	2,680	1,682
Total	3,576	4,426	3,470
Opening property value	36,671	30,186	33,629
Closing property value	42,573	36,671	38,883
Adjustment of value change for the period	-1,632	-2,680	-1,682
Adjusted average property value	38,806	32,089	35,415
Total return	9.2%	13.8%	9.8%

Profit from property management, SEK million	Jan-Sep 2018	Jan-Sep 2017	Oct 2017-Sep 2018	Jan-Dec 2017
Profit before tax	2,084	2,030	3,185	3,131
Reversal				
<i>Value change, property</i>	-894	-944	-1,632	-1,682
<i>Value change, derivatives</i>	-93	-101	-127	-135
Profit from property management	1,097	985	1,426	1,314

Interest-coverage ratio	Jan-Sep 2018	Jan-Sep 2017	Oct 2017-Sep 2018	Jan-Dec 2017
Operating profit	1,388	1,239	1,808	1,659
Net financial items	-291	-254	-382	-345
Interest-coverage ratio	4.8	4.9	4.7	4.8

Operating cash flow, SEK million	Jan-Sep 2018	Jan-Sep 2017	Oct 2017-Sep 2018	Jan-Dec 2017
Profit from property management	1,097	985	1,426	1,314
Profit/loss from participations in associated companies	-5	-	-7	-2
Depreciation and amortisation	2	1	3	2
Income tax paid	-40	-43	-39	-42
Operating cash flow	1,054	943	1,383	1,272

Loan-to-value ratio, %	30 Sep 2018	30 Sep 2017
Interest-bearing liabilities	28,738	24,497
Less cash	-1,500	-849
Net debt	27,238	23,648
Market value of investment properties	42,573	36,671
Loan-to-value ratio	64.0%	64.5%

Debt-coverage ratio, %	30 Sep 2018	30 Sep 2017
Cash	1,500	849
Undrawn committed credit facilities	12,700	10,000
Available liquidity	14,200	10,849
Short-term loans	7,058	6,341
Debt-coverage ratio	201%	171%

Share of secured debt, %	30 Sep 2018	30 Sep 2017
Outstanding secured debt	-	990
Market value of properties	42,573	36,671
Share of secured debt	0.0%	2.7%

Questions and more information

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Financial statements and press releases are available on Hemsö's website: hemso.se

Financial calendar

Year-end report 2018	7 February 2019
Annual Report	March 2019
Interim report Jan-Mar 2019	29 April 2019
Annual General Meeting	29 April 2019
Half-year report Jan-Jun 2019	12 July 2019
Interim report Jan-Sep 2019	24 Oct 2019

HEMSÖ



Nursing homes



Education



Health care



Justice system

